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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION
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12 IN RE: PROTEGRITY CORPORATION AND
13 PROTEGRITY USA, INC., PATENT
14 LITIGATION
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No.: 3:15-md-02600-JD

**DEFENDANTS' MOTION TO STAY
PURSUANT TO SECTION 18(b) OF THE
AMERICA INVENTS ACT**

Judge: Honorable James Donato

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TABLE OF ABBREVIATIONS

Protegrity Corporation	Protegrity
AJB Software Design, Inc.	AJB
Corduro, Inc.	Corduro
Dataguise, Inc.	Dataguise
Epicor Software Corporation	Epicor
Informatica Corporation	Informatica
IPS Group, Inc.	IPS
Netskope, Inc.	Netskope
Perspecsys USA, Inc.	Perspecsys
Prime Factors, Inc.	Prime Factors
Shift4 Corporation	Shift4
Skyhigh Networks, Inc.	Skyhigh
Square, Inc.	Square
TokenEx, LLC	TokenEx
TransFirst, LLC	TransFirst
Trustwave Holdings, Inc.	Trustwave
Vaultive, Inc.	Vaultive
Vormetric, Inc.	Vormetric
AJB, Corduro, Dataguise, Epicor, Informatica, IPS, Netskope, Perspecsys, Prime Factors, Shift4, Skyhigh, Square, TokenEx, TransFirst, Trustwave, Vaultive, and Vormetric, collectively	Defendants
Epicor, Informatica, and Square	Petitioning defendants
AJB, Corduro, Dataguise, IPS, Netskope, Perspecsys, Prime Factors, Shift4, Skyhigh, TokenEx, TransFirst, Trustwave, Vaultive, and Vormetric	Non-petitioning defendants

1	Declaration of Robin L. Brewer in Support of	Brewer Decl. ¹
2	Defendants' Motion to Stay	
3	U.S. Patent No. 6,321,201	the '201 patent
4	U.S. Patent No. 8,402,281	the '281 patent
5	the '201 and '281 patents, collectively	asserted patents
6	Covered Business Method Patent Review	CBM review
7	Leahy-Smith America Invents Act	AIA
8	United States Patent and Trademark Office	Patent Office
9	Patent and Trademark Appeals Board	PTAB
10	Order re Consolidated Briefing for Stay	Order
11	Pending CBM Review (Dkt. No. 39)	
12	35 U.S.C. § 101	Section 101

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28 ¹ All exhibit citations refer to exhibits to the accompanying Brewer Decl.

NOTICE OF MOTION AND MOTION

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that pursuant to the Court's Order re Consolidated Briefing for Stay Pending CBM Review (Dkt. No. 39), Defendants will and hereby do move the Court for entry of an order staying this action pursuant to Section 18(b) of the AIA, in view of the PTAB's institution of CBM review on all claims of the asserted patents. Pursuant to the Court's Order and in accordance with Civil Local Rule 7-1(b), no hearing date has been selected.

This motion is based on this notice of motion and motion, the supporting memorandum of points and authorities, the accompanying Brewer Decl., including exhibits, and such additional evidence and arguments as may be presented.

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Defendants respectfully request that the Court stay this action while the PTAB completes its review of the instituted CBM reviews concerning all claims of the asserted patents. Congress explained that CBM review was provided to "allow companies that are the target of one of these frivolous business method patent lawsuits to go back to the PTO and demonstrate, with the appropriate prior art, that the patent shouldn't have been issued in the first place." 157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011), at S1053 (statement of Sen. Schumer). "[T]hat way bad patents can be knocked out in an efficient administrative proceeding, avoiding costly litigation." *Id.*

To effectuate that intent, the AIA sets a low bar for obtaining a stay. Indeed, as Senator Schumer explained, "it is nearly impossible to imagine a scenario in which a district court would not issue a stay" pending CBM review. 157 Cong. Rec. S1053, at S1053. Courts have recognized that "a very heavy thumb [is placed] on the scale in favor of a stay being granted." *Zillow, Inc. v. Trulia, Inc.*, No. 2:12-cv-01549, 2013 WL 5530573, at *3 (W.D. Wash. Oct. 7, 2013).

Consistent with Congress' intent, a stay is warranted here and is the most efficient way to proceed, with the trials before the PTAB scheduled just five months from now. As discussed below, the AIA provides a four-factor test for a motion to stay concurrent district court litigation pending CBM review and all four factors weigh heavily in favor of a stay.

This test applies regardless of whether the party requesting the stay is a party to the CBM review. *See Trading Techs. Int'l, Inc. v. BCG Partners, Inc.*, No. 10-cv-00715, 2015 WL 1396632 (N.D. Ill. 2015) (citing AIA § 18(b)(1)). In contrast, Congress limited estoppel to the petitioner, or the real party in interest or privy of the petitioner. *See id.*; *see also* AIA § 18(a)(1)(D). In other words, Congress recognized that estoppel should only apply to parties that control the CBM review, whereas a stay benefits all parties to patent litigation regarding a patent subject to CBM review by the PATB. Moreover, premising a stay on acceptance of estoppel by Non-petitioning defendants acts as a windfall to Protegrity and potentially subjects Non-petitioning defendants to a broader estoppel than Petitioning defendants. It is, therefore, appropriate to stay the case as to all parties absent agreement by Non-petitioning defendants that estoppel applies.

II. STATEMENT OF FACTS

This action consolidates 21 separate cases involving at least 17 different defendants and declaratory judgment plaintiffs. Brewer Decl., ¶ 3. Informatica, Square, and Epicor initiated CBM reviews of the asserted patents. Non-petitioning defendants have not filed petitions for CBM review. *Id.*, ¶ 4. As of June 4, 2015, the PTAB instituted CBM review on all claims, including based upon a finding that all claims are invalid as directed to patent-ineligible subject matter. *Id.*, ¶¶ 5-12; Exs. A-G. The following chart summarizes the grounds for institution:

Patent	Date Instituted	Action	Claim(s)	Status
'281	03/05/15	<i>Square, Inc. v. Protegrity Corp.</i> , CBM2014-00182	1-60	CBM instituted on all claims challenged: <ul style="list-style-type: none"> • § 101 – all claims • § 102 (Denning) – 1, 2, 6, 9, 17, 18, 22, and 25 • § 103 (Denning) – 5, 12-14, 16, 21, 28-30, and 32
'281	04/21/15	<i>Epicor Software Corp. v. Protegrity Corp.</i> , CBM2015-00006	1-60	CBM instituted on all claims challenged: <ul style="list-style-type: none"> • § 101 – all claims • § 102 (Denning) – 1, 2, 6, 9, 17, 18, 22, and 25
'281	05/11/15	<i>Informatica Corp. v. Protegrity Corp.</i> , CBM2015-00010	1-60	CBM instituted on all claims challenged: <ul style="list-style-type: none"> • § 101 – all claims • § 102 (Denning) – 1-4, 6, 9, 17-20, 22, and 25 • § 103 (Denning, FIPS PUB 140-1) – 12-14, 16, 21, 28-30, and 32 • § 103 (Denning, Shear) – 11 and 27

'201	04/22/15	<i>Epicor Software Corp. v. Protegrity Corp.</i> , CBM2015-00002	1, 5, 19, 20, 27-31	CBM instituted on all claims challenged: <ul style="list-style-type: none"> • § 101 – 1, 5, 19-20, and 27-31
'201	05/04/15	<i>Square, Inc. v. Protegrity Corp.</i> , CBM2015-00014	1-7, 18-35	CBM instituted on all claims challenged: <ul style="list-style-type: none"> • § 101 – 1-7, 18-35 • § 103 (Hoffman, Codd) – 1, 5, 6, 18, and 27-29 • § 103 (Hoffman, Codd, Laribi) – 2, 19-26 • § 103 (Hoffman, Codd, Shear) – 3, 7 • § 103 (Hoffman, Codd, Johansson) – 3, 4 • § 103 (Hoffman, Codd, Friedman) – 6 • § 103 (Hoffman, Codd, Du) – 30-35
'201	06/01/15	<i>Informatica Corp. v. Protegrity Corp.</i> , CBM2015-00021	1-8, 18-53	CBM instituted on all claims challenged: <ul style="list-style-type: none"> • § 101 – all claims • § 103 (Hoffman, DB2) – 1, 2, 8, 19-26, 29, 31-34, 37-44, 47, and 49-52 • § 103 (Hoffman, DB2, Du) – 35 and 53
'201	06/04/15	<i>Epicor Software Corp. v. Protegrity Corp.</i> , CBM2015-00030	8	CBM instituted on all claims challenged: <ul style="list-style-type: none"> • § 101 – all claims

In CBM2014-00182, Protegrity has filed a motion to amend claims 1 and 17 of the '281 patent. Brewer Decl., ¶ 12. The PTAB has aligned the schedules among the CBM trials so that oral arguments as to each patent will be heard on the same date. Specifically, the hearing date for the '281 patent is November 12, 2015, and the hearing date for the '201 patent is November 13, 2015. *Id.*, ¶ 14. The PTAB is statutorily required to issue its first Final Written Decision relating to the asserted patent in CBM2014-000182 by March 5, 2016. *Id.*, ¶ 15.

III. ARGUMENT

The AIA was “designed to provide a cheaper, faster alternative to district court litigation” and to “place[] a very heavy thumb on the scale in favor of a stay being granted.” *Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill.*, No. 1:10-cv-01370, 2013 WL 1662952, at *2 (N.D. Ohio Apr. 17, 2013); *Zillow*, 2013 WL 5530573, at *3. Congress recognized that it is inefficient for the Court to consider patent claims that may be cancelled by the PTAB. To address this, section 18(b) of the AIA establishes a low threshold to stay early litigation pending CBM review.

1 Senator Schumer explained that “it is nearly impossible to imagine a scenario in which a district
2 court would not issue a stay” pending CBM review. 157 Cong. Rec. S1053, at S1053. Denial of
3 stay would require “an extraordinary and extremely rare set of circumstances not contemplated
4 in any of the existing case law related to stays pending reexamination.” 157 Cong. Rec. S1360,
5 at S1364.

6 Consistent with these views, the Federal Circuit has reversed district courts under AIA
7 Section 18(b)(2) by granting interlocutory appeals of the denial of stay motions based upon CBM
8 petitions. *See Versata Software, Inc. v. Callidus Software, Inc.*, 771 F.3d 1368 (Fed. Cir. 2014)
9 (reversing denial of stay and finding that all four factors strongly favored a stay) (“*Callidus*
10 *Software*”), *vacating as moot*, 780 F.3d 1134 (Fed. Cir. 2015); *VirtualAgility, Inc. v.*
11 *Salesforce.com, Inc.*, 759 F.3d 1307, 1320 (Fed. Cir. 2014) (finding that three of four factors
12 weighed heavily in favor of a stay and only one factor, undue prejudice, weighed slightly in
13 favor of denying a stay where parties were competitors).

14 Section 18 of the AIA sets forth the four-factor test to be used in deciding a stay motion:

- 15 (1) whether a stay, or the denial thereof, will simplify the issues in question and
streamline the trial;
- 16 (2) whether discovery is complete and whether a trial date has been set;
- 17 (3) whether a stay, or the denial thereof, would unduly prejudice the nonmoving
party or present a clear tactical advantage for the moving party; and
- 18 (4) whether a stay, or the denial thereof, will reduce the burden of litigation on
the parties and on the court.

19
20 *Progressive*, 2013 WL 1662952, at *2 (citing AIA § 18(b)(1), P.L. 112-29, 125 Stat. 284, 331
21 (2011)). Congress expressly included the fourth factor in order “to ease the movant’s task of
22 demonstrating the need for a stay” and “to increase the likelihood that the court will grant a stay
23 when a party initiates a transitional CBM review, as opposed to an ordinary PTO
24 reexamination.” *Mkt.-Alerts Pty., Ltd v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 489-90 (D.
25 Del. 2013); *Zillow*, 2013 WL 5530573, at *3 n.1.

26 Notably, the statute applicable for another post-grant review proceeding, *inter partes*
27 review, does not expressly provide for a stay of litigation pending the outcome of review, nor
28 does it set forth statutory factors courts must consider in the stay analysis. Rather, Congress

1 relied on the courts' inherent power to grant stays and encouraged courts to liberally grant stays.
 2 By contrast, the statute codifying CBM review expressly provides four factors courts must
 3 consider in evaluating a stay. *See* AIA § 18(b)(1). Congress codified this test, and added the
 4 fourth factor, because "[t]oo many district courts have been content to allow litigation to grind on
 5 while a reexamination is being conducted, forcing the parties to fight in two fora at the same
 6 time. This is unacceptable, and would be contrary to the fundamental purpose of the [CBM
 7 review] amendment to provide a cost-efficient alternative to litigation." 157 Cong. Rec. S1360.
 8 Accordingly, "[a]bsent some exceptional circumstance, the institution of a business-methods
 9 proceeding—which requires a high up-front showing and will be completed in a relatively short
 10 period of time—should serve as a substitute for litigation, and result in a stay of co-pending
 11 district court litigation." 157 Cong. Rec. S1360, at S1363.

12 Here, as explained below, all four statutory factors favor a stay pending CBM review.

13 **A. A Stay Will Simplify—or Eliminate—the Issues for Trial.**

14 The PTAB instituted CBM review as to all claims of the asserted patents. It is likely that a
 15 significant part, if not the entirety, of this case will be disposed of or the claim language and claim
 16 construction positions of all parties will be altered through this review. *See GT Nexus, Inc. v.*
 17 *Intra, Inc.*, No. 11-cv-02145-SBA, 2014 WL 3373088, at *3 (N.D. Cal. July 9, 2014) ("If the
 18 PTAB grants CBM review and finds that one or more of the asserted claims of the patents-in-suit
 19 are invalid or subject to modification, the Court will have wasted judicial resources and the parties
 20 will have unnecessarily expended funds addressing invalid claims or claims modified during CBM
 21 review."); *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013) ("[I]f the
 22 original claim is cancelled or amended to cure invalidity [by the PTO], the patentee's cause of
 23 action is extinguished and the suit fails."). For example, Protegrity has already filed a motion to
 24 amend claims 1 and 17 of the '281 patent. Brewer Decl., ¶ 13.

25 The PTAB is highly likely to cancel all of the asserted claims. Recent studies show that
 26 CBM proceedings result in cancellation of 95% of instituted claims. *See, e.g.,* Brewer Decl., Exs.
 27 H, I. Further, as of June 22, 2015, the PTAB has issued thirty-one final written decisions
 28 following CBM review addressing unpatentability under Section 101 and deemed challenged

1 claims in all thirty-one final written decisions unpatentable. Brewer Decl., ¶ 18.

2 Even if this litigation, or a portion of it, continues after CBM review terminates, the Court
 3 will proceed with the benefit of the PTAB's particular expertise and the record from CBM review
 4 of the asserted patents. Further prosecution via CBM review will provide a more detailed record
 5 to aid the Court in any future claim construction, and the additional prosecution history created
 6 could determine, inform, or alter the meaning of claim terms. *See CVI/Beta Ventures, Inc. v. Tura*
 7 *LP*, 112 F.3d 1146, 1158 (Fed. Cir. 1997) (“[T]hrough statements made during prosecution or
 8 reexamination an applicant . . . may commit to a particular meaning for a patent term, which
 9 meaning is then binding in litigation.”); *In re Cygnus Telecomms. Tech., LLC, Patent Litig.*, 385 F.
 10 Supp. 2d 1022, 1024 (N.D. Cal. 2005) (“For those claims that survive the reexamination, this court
 11 may have a richer prosecution history upon which to base necessary claim construction
 12 determinations or reconsideration.”). Litigation burdens will be reduced for both the Court and the
 13 parties due to more limited issues, defenses, and evidence. *See Callidus Software*, 771 F.3d at
 14 1371-73 (finding simplification factor strongly favored stay despite CBM proceeding not
 15 addressing all asserted patents, claims, or invalidity defenses). Because CBM review will
 16 simplify, streamline, or eliminate this litigation, this factor weighs heavily in favor of a stay.

17 **B. The Early Stage of This Litigation Weighs Heavily in Favor of a Stay.**

18 This litigation remains at a very early stage, a factor strongly weighing in favor of a stay.
 19 *See MoneyCat, Ltd. v. PayPal, Inc.*, No. 14-cv-02490-JST, 2014 WL 5689844, at *4 (N.D. Cal.
 20 Nov. 4, 2014) (finding that this factor favored stay because six months still remained for fact
 21 discovery at time motion was filed); *Callidus Software*, 771 F.3d at 1373-74 (finding that this
 22 factor favored stay despite discovery having started because this factor is evaluated at time of
 23 filing of the motion, not at the time of the court's decision); *VirtualAgility*, 759 F.3d at 1317 (stay
 24 “heavily favor[ed]” when “[d]iscovery had not yet begun” and litigation “was still at its infancy”);
 25 *see also Mkt.-Alerts*, 922 F. Supp. 2d at 494. Multiple preliminary motions are pending, including
 26 Dataguise's Motion to Dismiss pursuant to Section 101. Dkt. No. 12. Further, while there have
 27 been limited patent related disclosures in certain cases prior to consolidation pursuant to MDL, as
 28 a result of the consolidation, each of the deadlines for patent related disclosures will need to be

1 reset. In sum, this case is at a very early stage and this factor weighs heavily in favor of a stay.

2 **C. Staying These Proceedings Will Not Unduly Prejudice Plaintiff or Present a**
 3 **Clear Tactical Advantage to Defendants.**

4 “Courts have repeatedly held that the delay inherent in the reexamination process does not,
 5 by itself, constitute undue prejudice.” *Pac. Biosci. Labs., Inc. v. Pretika Corp.*, 760 F. Supp. 2d
 6 1061, 1066 (W.D. Wash. 2011). “Because delay inherent in the reexamination process does not
 7 constitute undue prejudice, courts also consider evidence of dilatory motives or tactics, such as
 8 when a party unduly delays in seeking reexamination of a patent.” *AT&T Intellectual Prop. I v.*
 9 *Tivo, Inc.*, 774 F. Supp. 2d 1049, 1054 (N.D. Cal. 2011); *see also Robert Bosch Healthcare Sys.,*
 10 *Inc. v. Cardiocom, LLC*, No. 14-cv-1575-EMC, 2014 U.S. Dist. LEXIS 92792, at *16 (N.D. Cal.
 11 July 3, 2014); *Progressive*, 2013 WL 1662952, at *6; *Mkt.-Alerts*, 922 F. Supp. 2d at 494.

12 Defendants are requesting a stay upon institution of CBM review as to all claims and at an
 13 early stage of the litigation. Further, any conceivable prejudice is minimized because CBM
 14 review is statutorily required to be completed within an expedited twelve-month timeframe after
 15 the petition is granted. *See* Office Patent Trial Practice Guide, Ex. F at 48768. Here, the PTAB
 16 has aligned the schedules for CBM review so the hearing dates are consolidated. Brewer Decl., ¶
 17 14. As set forth above, the PTAB will hear all arguments relating to the ’281 patent on November
 18 12, 2015, and all arguments relating to the ’201 patent on November 13, 2015. *Id.* Final decisions
 19 from the PTAB are expected to issue in the spring of 2016. *Id.*, ¶ 15.

20 In addition, because CBM review is an *inter partes* proceeding, Protegrity will have a full
 21 opportunity to participate. Moreover, Defendants and Protegrity are not active competitors, and
 22 any harm Protegrity could plausibly suffer due to delay could be fully compensated with monetary
 23 relief. *See MoneyCat*, 2014 WL 5689844, at *4 (“[B]ecause MoneyCat and PayPal are not direct
 24 competitors, any prejudice MoneyCat experiences as a result of delay can be compensated by
 25 monetary damages.”) (citing *Evolutionary Intelligence, LLC v. Facebook, Inc.*, Nos. C 13-4202 SI,
 26 C 13-4204 SI, 2014 WL 261837, at *3 (N.D. Cal. Jan. 23, 2014) (“[C]ourts have consistently
 27 found that a patent licensor cannot be prejudiced by a stay because monetary damages provide
 28 adequate redress for infringement.”)); *VirtualAgility*, 759 F.3d at 1318 (“A stay will not diminish

1 the monetary damages to which VA will be entitled if it succeeds in its infringement suit—it only
 2 delays realization of those damages and delays any potential injunctive remedy.”).

3 Finally, the “salient question posed by the third factor,” is not whether Protegrity will be
 4 prejudiced, but whether Protegrity will be “unduly prejudiced.” *Progressive*, 2013 WL 1662952
 5 at *6. Delay itself does not constitute undue prejudice. *Pac. Biosci.*, 760 F. Supp. 2d at 1066. As
 6 discussed above, any delay here is minimal as CBM review has been instituted on all petitions,
 7 oral arguments are scheduled for November 12 and 13, 2015, and final written decisions will issue
 8 in spring 2016. There is no undue prejudice to Protegrity, and this factor weighs in favor of a stay.

9 **D. A Stay Will Reduce the Burden on the Court and on the Parties.**

10 Courts have emphasized the fourth factor in granting motions to stay pending CBM
 11 review. “[T]he fourth factor was established to increase the likelihood that a stay will be granted.”
 12 *GT Nexus*, 2014 WL 3373088, at *5; *see also Mkt.-Alerts*, 922 F. Supp. 2d at 489-90 (fourth factor
 13 was added “to ease the movant’s task of demonstrating the need for a stay”); *Progressive*, 2013
 14 WL 1662952 at *8 (“The fourth factor of the test was enacted to increase the likelihood that a stay
 15 would be granted.”); *Versata Software, Inc. v. Volusion, Inc.*, No. A-12-CA-893-SS, 2013 WL
 16 6912688, at *2 (W.D. Tex. June 20, 2013) (“The fourth factor is designed to place ‘a very heavy
 17 thumb on the scale in favor of a stay being granted.’”) (citation omitted); *Sightsound Techs., LLC*
 18 *v. Apple Inc.*, No. 11-cv-1292-DWA, 2013 WL 2457284, at *3 (W.D. Pa. June 6, 2013) (“The
 19 parties and Court will expend further substantial resources in this litigation, through completing
 20 discovery and trial. A stay will reduce the burden of litigation, and this factor weighs in favor of a
 21 stay.”).

22 Here, a stay pending CBM review will allow the PTAB to efficiently determine the
 23 validity of the asserted patents. Further, Congress created the CBM proceeding because of its
 24 skepticism towards “certain business method patents, which . . . are generally of dubious quality
 25 because unlike other types of patents, they have not been thoroughly reviewed at the PTO due to a
 26 lack of the best prior art.” 157 Cong. Rec. S1360, S1364 (statement of Sen. Schumer). CBM
 27 review provides the opportunity for a thorough review of the asserted patents prior to the Court or
 28 the parties expending additional resources on litigation. A stay of the litigation may spare both the

1 Court and the parties the burden of having to oversee and conduct discovery, claim construction,
2 motion practice, and trial. At a minimum, a stay avoids potentially wasteful litigation of claims
3 that may be invalidated or amended.

4 Thus, the fourth factor weighs heavily in favor of a stay, and there are no “exceptional
5 circumstances” to offset the “heavy thumb” that Section 18(b) places on the scale in favor of a
6 stay. Rather than having the Court and the parties burdened with dual-track and duplicative
7 proceedings, Defendants request the Court stay this litigation pending CBM review.

8 **E. A Stay Is Appropriate Absent Agreement by Non-Petitioning Defendants to Be**
9 **Bound By the AIA’s Estoppel Provisions.**

10 Because the AIA considers that related patent infringement actions may be simplified by a
11 petition for CBM review filed by a defendant in a related case, other courts have refused to
12 condition stays of related cases on requiring non-petitioning defendants to agree to estoppel
13 provisions where only certain defendants filed petitions for CBM review. *See Trading Techs.*
14 *Int’l*, 2015 WL 1396632 (not reported) (granting motions to stay all consolidated cases even
15 though the non-petitioning defendants refused to agree to be estopped). In *Trading Technologies*,
16 the court stated:

17 Finally, the Court does not find that the non-petitioning defendants’
18 refusal to consent to be estopped from raising arguments offered
19 during CBM review eliminates the simplification of the issues. A
20 reading of the AIA leads to the conclusion that Congress explicitly
21 chose to estop *petitioners* of CBM review while allowing any *party*
22 to a case to seek a stay pending CBM review. *See* Pub. L. No. 112–
23 29, §§ 6(e)(1), 18(b)(1). Moreover, a review of the Senate’s hearing
24 on the AIA confirms that whether or not a party to a patent
25 proceeding agrees to be estopped from raising a co-defendant’s
arguments is irrelevant to the stay analysis. *See* 157 Cong. Rec.
S1360, 2011 WL 797877 (daily ed. Mar. 8, 2011) (statement of Sen.
Schumer) (“By codifying the exclusive set of factors that courts are
to consider when granting stays, the [AIA] precludes courts from
inventing new factors such as extra-statutory estoppel tests.”)

26 *See also Mkt.-Alerts*, 922 F.Supp.2d 486 (ordering a stay of all related cases, even those in which
27 the defendant(s) did not move for a stay, where only certain of the defendants filed a petition for
28 CBM review). Even in the context of *inter partes* review proceedings at least one court has

1 granted a stay where a defendant expressly declined to be estopped. *See Evolutionary*
 2 *Intelligence*, 2014 WL 261837.

3 As noted in *Trading Technologies*, the legislative history pertaining to CBM review
 4 expressly bars courts from additional estoppel requirements as a condition for granting a stay. The
 5 AIA provides that courts should not condition stays on factors that are beyond those enumerated in
 6 the statute, including any estoppel requirements:

7 By adopting this four-factor test, rather than one of the three-factor
 8 tests used by other courts, ***the amendment also precludes the use of***
 9 ***additional factors that are not codified here*** and that have
 10 occasionally been used by some district courts. For example, a few
 11 courts have occasionally employed a different de facto fourth factor:
 12 whether the challenger offers “to forgo invalidity arguments based
 on prior art patents and/or printed publications considered during an
 ex parte reexamination process.” . . . By codifying the exclusive set
 of factors that courts are to consider when granting stays, ***the***
amendment precludes courts from inventing new factors such as
extra-statutory estoppel tests.

13 157 Cong. Rec. S1360. Accordingly, it would be impermissible for this court to require Non-
 14 petitioning defendants to agree to be estopped by arguments made in third-party CBM petitions
 15 over which the Non-petitioning defendants have no control.

16 Further, Section 18(a)(1)(D) of the AIA provides that only the petitioner “***or the***
 17 ***petitioner’s real party in interest***” can be estopped. This provision cannot apply to the Non-
 18 petitioning defendants because they are not a “real party in interest” to any of the Petitioning
 19 defendants. The determination of whether a party is a real party-in-interest or a privy to a
 20 proceeding before the PTAB is a highly fact-dependent question. The PTAB’s Office Patent Trial
 21 Practice Guide, 77 Fed. Reg. 48756, 48759 (August 14, 2012) provides some guidance, and states
 22 that the “real party-in-interest” is the party that desires review of the patent, such as the petitioner,
 23 or the party at “whose behest the petition has been filed.” *Id.* at 48759. There are several factors
 24 relevant to the determination of who is a real party-in-interest or a privy. One factor is “whether
 25 the non-party exercised or could have exercised control over a party’s participation in a
 26 proceeding.” *Id.* A party that “funds and directs and controls” a petition or proceeding is a real
 27 party-in-interest. *Id.* at 48760. Importantly, however, merely because a party is a co-defendant or
 28 a member of a joint defense group in which another member files a petition does not, without

more, make that party a real party-in-interest or privy. *Id.* See also *Apple Inc. v. Achates Reference Publishing, Inc.*, IPR2013-00081, Decision on Motion for Additional Discovery (PTAB Apr. 3, 2013) (holding that merely being co-defendants in litigation, without more, does not amount to being a real party in interest or privy).

Finally, from a policy perspective, it makes sense that a non-party to a CBM petition who is embroiled in a related litigation involving the same patents being challenged in CBM review should not be estopped by arguments made in those petitions. This would provide a windfall to Protegrity in that the Non-petitioning defendants may be estopped by *all* of the arguments made in all petitions, whereas each individual petitioner would only be estopped by their own arguments, not those of other petitioners.

In sum, the Non-petitioning defendants should not be required to agree to the AIA's estoppel provisions in order for a stay of all coordinated cases to be granted.

F. Non-Petitioning Defendants' Positions on Estoppel.

Should the Court decide to condition the granting of a stay on agreement by Non-petitioning defendants to an estoppel, Non-petitioning defendants, with the exception of Dataguise, are willing to agree to an estoppel. Non-petitioning defendants are unclear as to the scope of estoppel contemplated and, as such, want to clarify the scope of the estoppel to which they are willing to agree. For example, it is unclear whether estoppel would be based upon all CBM reviews or only as to one CBM review for each patent. Further, it is unclear whether estoppel applies to grounds instituted or only grounds for which a final written decision issues. It would be unfair to estop Non-petitioning defendants on grounds where the PTAB does not render a final written decision because one or more of the Petitioning defendants could settle with Protegrity and the CBM review be dismissed. Non-petitioning defendants, with the exception of Dataguise, will agree to be estopped in this litigation on any ground for which a final written decision issues should the Court determine such agreement necessary for the granting of a stay.

Dataguise does not agree to estoppel and, should the Court decide not stay the case, requests the Court set a hearing date for Dataguise's fully briefed Motion to Dismiss that the

1 asserted patents are invalid as directed to patent-ineligible subject matter under Section 101.²

2 **IV. CONCLUSION**

3 For the foregoing reasons, Defendants respectfully request that the Court stay the current
4 MDL action pending the conclusion of the CBM reviews of the asserted patent and not condition
5 the stay on requiring the Non-petitioning defendants to agree to the AIA's estoppel provisions.

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² In the event the Court is inclined to deny a stay, Defendants respectfully request that it defer any
26 Markman hearing(s) until after the PTAB issues its final written decisions, so that the parties and
27 the Court have the benefit of the arguments advanced and rulings made by the PTAB. In addition,
28 if the Court is inclined to proceed with the litigation as to any parties, Defendants Informatica and
Square request that they be afforded the opportunity to participate in the litigation for as long as it
is moving forward so that they may adequately represent their individual interests in claim
construction and other proceedings before the Court.

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17 **ATTESTATION CLAUSE**

18 I, Stefani E. Shanberg, am the ECF User whose identification and password are being used
19 to file Defendants Motion to Stay Pursuant to Section 18(b) of the America Invents Act. In
20 compliance with Civil Local Rule 5-1(i)(3), I hereby attest that counsel for defendants have
21 concurred in this filing.

23 Dated: June 22, 2015

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